Sanitized Copy Approved for Release 2011/08/31 : CIA-RDP90B01390R000801070001-3

Action
OCA 86-1640

OFFICE OF CONGRESSIONAL AFFAIRS

Routing Slip

	ACTION	INFO
1. D/OCA		X
2. DD/Legislation	X	
3. DD/Senate Affairs		X
4. Ch/Senate Affairs		
5. DD/House Affairs		
6. Ch/House Affairs		
7. Admin Officer		
8. Executive Officer		X
9. FOIA Officer		
10. Constituent Inquiries Officer		
11.		
12.		

SUSPENSE 15 May 86
Date

Action Officer: [redacted] ACTIONS ER 86-2131X + THIS OCA 86-1640

Remarks: ARE THE SAME. ACTION WAS TAKEN BY COMPTROLLER [redacted] ON 14MAY. COMPLETED BY WAY OF HIS TELECON TO OMB, SAME DATE.

GJ / 14 May 86
Name/Date

STAT

STAT

Sanitized Copy Approved for Release 2011/08/31 : CIA-RDP90B01390R000801070001-3

Sanitized Copy Approved for Release 2011/08/31 : CIA-RDP90B01390R000801070001-3

Action
OCA 86-1640

OFFICE OF CONGRESSIONAL AFFAIRS

Routing Slip

	ACTION	INFO
1. D/OCA		X
2. DD/Legislation	X	X
3. DD/Senate Affairs		X
4. Ch/Senate Affairs		
5. DD/House Affairs		
6. Ch/House Affairs		
7. Admin Officer		
8. Executive Officer		X
9. FOIA Officer		
10. Constituent Inquiries Officer		
11.		
12.		

SUSPENSE 15 May 86
Date

Action Officer:

Remarks:

STAT

GJ / 14 May 86
Name/Date

Sanitized Copy Approved for Release 2011/08/31 : CIA-RDP90B01390R000801070001-3

Sanitized Copy Approved for Release 2011/08/31 : CIA-RDP90B01390R000801070001-3

RELEASE # Chrono

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503
May 12, 1986

SPECIAL
CONGRESSIONAL AFFAIRS
86-1040

LEGISLATIVE REFERRAL MEMORANDUM

TO: **Legislative Liaison Officer -**
Department of Agriculture-David Hoyt-382-1516
Department of Commerce-Michael A. Levitt-377-3151
Department of Defense-Werner Windus-697-1305
Department of Education-JoAnne Durako-732-2670
Department of Energy-Bob Rabben-252-6718
Department of Health and Human Services-F White-245-7308
Department of Housing and Urban Development-E Murphy-755-7093
Department of the Interior-Linda Moore-343-4371
Department of Justice-Jack Perkins-633-2113
Department of Labor-Seth Zinman-523-8201
Department of State-Lee Ann Berkinbile-647-8794
Department of Transportation-John Collins-426-4694
Department of the Treasury-Art Schissel-566-8523
Council of Economic Advisers
Agency for International Development-R. Lester-632-8404
Central Intelligence Agency
Environmental Protection Agency-Stead Overman-382-5414
General Services Administration
National Aeronautics and Space Administration-J.Murphy-453-1948
National Science Foundation
Small Business Administration-Janine Perrignon-653-6545
U.S. Information Agency
Veterans Administration-Donald Ivers-389-3831

SUBJECT: OPM testimony before the Senate Governmental Affairs Committee on S. 2197, the Federal Employees' Optional Early Retirement Act of 1986.

The Office of Management and Budget requests the views of your agency on the above subject before advising on its relationship to the program of the President, in accordance with OMB Circular A-19.

A response to this request for your views is needed no later than NOON MAY 14, 1986. Hearing is May 15, 1986.

Questions should be referred to Irene Loftus (395-6156), or to Hilda Schreiber (395-7362), the legislative analyst in this office.

Naomi R. Sweeney for
Assistant Director for
Legislative Reference

Enclosures

Sanitized Copy Approved for Release 2011/08/31 : CIA-RDP90B01390R000801070001-3

Sanitized Copy Approved for Release 2011/08/31 : CIA-RDP90B01390R000801070001-3

STATEMENT OF
HONORABLE CONSTANCE HORNER
DIRECTOR, OFFICE OF PERSONNEL MANAGEMENT

BEFORE THE

COMMITTEE ON GOVERNMENTAL AFFAIRS
UNITED STATES SENATE

AT A HEARING ON

S. 2197
THE FEDERAL EMPLOYEES' OPTIONAL EARLY
RETIREMENT ACT OF 1986

MAY 15, 1986

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

THANK YOU FOR INVITING ME TO APPEAR TODAY TO DISCUSS THE ADMINISTRATION'S VIEWS ON S. 2197, THE FEDERAL EMPLOYEES' OPTIONAL EARLY RETIREMENT ACT OF 1986. I AM ACCOMPANIED TODAY BY MR. JAMES W. MORRISON, JR., OPM'S ASSOCIATE DIRECTOR FOR COMPENSATION.

S. 2197 IS BASED ON A MOST INTERESTING AND ATTRACTIVE CONCEPT: NAMELY, THAT THE FEDERAL GOVERNMENT, IN ITS EFFORTS TO REDUCE THE SIZE OF ITS WORK FORCE, SHOULD DO SO IN THE MOST HUMANE WAY POSSIBLE, BY OFFERING A VERY WIDE SEGMENT OF ITS WORK FORCE THE OPPORTUNITY TO RETIRE EARLY. THIS APPROACH HAS BEEN USED BY MANY LEADING PRIVATE COMPANIES WHEN THEY HAVE BEEN FACED WITH THE NEED FOR ACROSS-THE-BOARD PERSONNEL REDUCTIONS, AND HAS BEEN VERY SUCCESSFUL FROM THE PERSPECTIVE OF MANAGEMENT AND EMPLOYEES ALIKE.

Sanitized Copy Approved for Release 2011/08/31 : CIA-RDP90B01390R000801070001-3

05 12 8 Sanitized Copy Approved for Release 2011/08/31 : CIA-RDP90B01390R000801070001-3

UNDER S. 2197, THERE WOULD BE A GOVERNMENTWIDE OPPORTUNITY FOR EARLY RETIREMENT FROM JULY THROUGH DECEMBER OF THIS YEAR. EARLY RETIREMENT WOULD BE AVAILABLE TO THE SAME AGE AND SERVICE COMBINATIONS THAT ARE NOW COVERED BY OUR MORE LIMITED EARLY VOLUNTARY AND EARLY INVOLUNTARY RETIREMENT PROGRAMS, THAT IS, 20 YEARS OF SERVICE AND AGE 50, OR 25 YEARS OF SERVICE AND ANY AGE. IN ADDITION, S. 2197 WOULD EXTEND THE EARLY RETIREMENT ELIGIBILITY TO TWO NEW CATEGORIES THAT HAVE NOT BEEN COVERED BEFORE, 15 YEARS OF SERVICE AND AGE 55, AND 5 YEARS OF SERVICE AND AGE 57. CERTAIN SHORTAGE OCCUPATIONS SPECIFIED IN THE LAW WOULD BE EXCLUDED.

THE ATTRACTIVENESS OF THIS IS OBVIOUS, BOTH TO THOSE EMPLOYEES WHO WOULD BE ELIGIBLE TO AND WANT TO RETIRE, AND TO THOSE OF US, IN BOTH THE EXECUTIVE AND LEGISLATIVE BRANCHES, WHO SHARE IN THE GOAL OF REDUCING THE SIZE OF THE FEDERAL GOVERNMENT. HOWEVER, THERE ARE ALSO POTENTIAL PITFALLS IN A PROGRAM OF EARLY RETIREMENT. THE RETIREMENT OF AN EMPLOYEE CAN SAVE THE GOVERNMENT MONEY, SINCE AN EMPLOYEE'S ANNUITY IS LESS THAN SALARY, BUT THIS SAVINGS TURNS INTO A COST IF THE RETIRED EMPLOYEE IS REPLACED. IN RECOGNITION OF THIS PROBLEM, S. 2197 WOULD ESTABLISH A 5-YEAR FREEZE ON REPLACING EMPLOYEES WHO RETIRE DURING THE 6-MONTH EARLY RETIREMENT PERIOD. OPM WOULD BE PERMITTED TO

Sanitized Copy Approved for Release 2011/08/31 : CIA-RDP90B01390R000801070001-3

Sanitized Copy Approved for Release 2011/08/31 : CIA-RDP90B01390R000801070001-3

GRANT EXCEPTIONS TO THIS FREEZE IN THE CASE OF POSITIONS THAT ARE ESSENTIAL TO THE MISSION OF AN AGENCY OR THAT ARE SUPPORTED BY USER FEES.

S. 2197 IS CLEARLY A VERY WELL THOUGHT-OUT PROPOSAL, AND ONE THAT DESERVES THE MOST SERIOUS CONSIDERATION, SO THE PRESIDENT'S DOMESTIC POLICY COUNCIL HAS FORMED A WORKING GROUP TO CONSIDER THIS AND RELATED PROPOSALS. WHILE NO CONCLUSIONS HAVE BEEN REACHED YET ON WHAT TO RECOMMEND TO THE PRESIDENT, I WOULD LIKE TO SHARE WITH YOU SOME OF THE THOUGHTS AT WHICH WE HAVE ARRIVED CONCERNING THE MINIMAL REQUIREMENTS OF A BILL THE ADMINISTRATION COULD ACCEPT.

FIRST, I THINK WE NEED TO EMPHASIZE THAT ALL OF US IN THE EXECUTIVE BRANCH ARE VERY CONCERNED THAT A GOVERNMENTWIDE EARLY RETIREMENT OPPORTUNITY COULD LEAD TO EXCESSIVE LOSSES OF OUR MOST VALUABLE EMPLOYEES. UNDER THE PRESIDENT'S BUDGET, OUR CIVILIAN WORK FORCE WOULD BE REDUCED BY A NET OF ONLY A LITTLE OVER 20,000--A GOAL THAT CAN BE ACHIEVED LARGELY OR COMPLETELY BY ATTRITION RATHER THAN REDUCTION IN FORCE--YET THE NUMBER WHO MIGHT RETIRE IN A GOVERNMENTWIDE "EARLY OUT" HAS BEEN ESTIMATED AT 3 TIMES THE NUMBER, AND COULD GO MUCH HIGHER. INCLUDED IN THIS EXODUS WOULD BE MANY OF OUR MOST VALUABLE, AND MOST DIFFICULT-TO-REPLACE,

Sanitized Copy Approved for Release 2011/08/31 : CIA-RDP90B01390R000801070001-3

Sanitized Copy Approved for Release 2011/08/31 : CIA-RDP90B01390R000801070001-3

EMPLOYEES. THIS WOULD BE TRUE EVEN IN AGENCIES AND PROGRAMS THAT ARE SLATED TO REMAIN FULLY FUNDED OR TO GROW. THIS COULD HAVE A DEVASTATING EFFECT ON THE ABILITY OF OUR MANAGERS TO MANAGE, AND COULD GRAVELY HARM THE EFFICIENCY AND EFFECTIVENESS OF GOVERNMENT, AND COULD EVEN ENDANGER THE NATIONAL DEFENSE.

ACCORDINGLY, WE THINK IT WOULD BE NECESSARY FOR ANY LEGISLATION TO GIVE THE PRESIDENT, OR HIS DESIGNEE, THE AUTHORITY TO EXCLUDE FROM THE GOVERNMENTWIDE EARLY RETIREMENT PROGRAM ANY AGENCY OR COMPONENT THAT HE BELIEVES SHOULD NOT BE COVERED.

A SECOND ISSUE THAT HAS ARISEN IS THE EXISTENCE OF STATUTORY PERSONNEL "FLOORS." IN WHAT I CONSIDER TO BE A SERIOUS INTRUSION INTO THE EXECUTIVE'S ABILITY TO MANAGE, CONGRESS HAS SEEN FIT IN RECENT YEARS TO REQUIRE VARIOUS AGENCIES AND PROGRAMS TO MAINTAIN CERTAIN MINIMUM EMPLOYMENT LEVELS. FOR EXAMPLE, ...

[OMB INSERT]

CLEARLY, ALL SUCH STATUTORY EMPLOYMENT FLOORS WOULD HAVE TO BE ELIMINATED IF WE WERE TO EMBARK ON A GOVERNMENTWIDE EARLY RETIREMENT PROGRAM IN AN EFFORT TO REDUCE THE SIZE OF THE WORK FORCE.

Sanitized Copy Approved for Release 2011/08/31 : CIA-RDP90B01390R000801070001-3

Sanitized Copy Approved for Release 2011/08/31 : CIA-RDP90B01390R000801070001-3

FINALLY, WE BELIEVE THAT A 5-YEAR EMPLOYMENT FREEZE, WITH ONLY NARROW WAIVER AUTHORITY, WOULD BE EXCESSIVELY RIGID AND COULD CAUSE SERIOUS HARM TO THE NATIONAL DEFENSE AND OTHER CRITICAL PROGRAMS. HERE, TOO, WE THINK THE ONLY ACCEPTABLE APPROACH WOULD BE TO GIVE THE PRESIDENT, OR HIS DESIGNEE, COMPLETE DISCRETION OVER THE DEGREE TO WHICH HIRING WOULD BE PERMITTED FOR VARIOUS AGENCIES AND COMPONENTS, SO AS TO ACCOMMODATE THE NEEDS OF THE GOVERNMENT AND SHIFTING PROGRAM PRIORITIES.

ONE POSSIBLE APPROACH WOULD BE TO MODIFY S. 2197 TO INCLUDE THE SPECIFIC PROVISIONS CONCERNING EXECUTIVE FLEXIBILITY AND ELIMINATION OF THE PERSONNEL FLOORS THAT I HAVE OUTLINED TODAY AND TO RESHAPE THE RESULTANT PROPOSAL AS A SORT OF "STANDBY EARLY RETIREMENT AUTHORITY" ACT THAT WOULD PLACE THE REQUISITE DISCRETION FOR INVOKING, INCLUDING, EXCLUDING, AND RE-HIRING APPROPRIATELY WITH THE PRESIDENT.

AS I INDICATED ABOVE, WE ARE CONTINUING TO REVIEW THIS SUBJECT IN THE EXECUTIVE BRANCH, BUT I HOPE THIS INDICATION OF OUR VIEWS AT THE PRESENT TIME WILL BE HELPFUL TO THE COMMITTEE.

THANK YOU. I WOULD BE PLEASED TO ANSWER ANY QUESTIONS.

Sanitized Copy Approved for Release 2011/08/31 : CIA-RDP90B01390R000801070001-3